

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Huron County Parks	County Huron
Fiscal Year End 12/31/2006	Opinion Date 06/04/2007	Date Audit Report Submitted to State 06/28/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

2 Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Brining & Nartker, P.C.		Telephone Number 989-269-9909		
Street Address 64 Westland Drive		City Bad Axe	State MI	Zip 48413
Authorizing CPA Signature <i>Brining & Nartker, P.C. by: Douglas P. Brining, CPA.</i>		Printed Name Douglas P. Brining		License Number 08283

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
FINANCIAL REPORT
DECEMBER 31, 2006**

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Activities	3
FUND FINANCIAL STATEMENTS:	
Balance Sheet – Governmental Fund	4
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 9
<u>SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule	10

BRINING & NARTKER, P.C.

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INDEPENDENT AUDITORS' REPORT

Board of County Road Commissioners of
Huron County
Bad Axe, Michigan 48413

We have audited the basic financial statements of the Huron County Parks, a component unit of Huron County, Michigan, as of December 31, 2006, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not prepared their discussion and analysis information for the Huron County Parks. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Huron County Parks as of December 31, 2006, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 4, 2007

BASIC FINANCIAL STATEMENTS

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

ASSETS:

Current assets:

Cash \$ 569,868

Due on capital grants 2,246

Noncurrent assets:

Capital assets (net of accumulated depreciation) 3,104,148

TOTAL ASSETS

3,676,262

LIABILITIES:

Current liabilities:

Due to other component units 464,619

TOTAL LIABILITIES

464,619

NET ASSETS:

Investment in capital fixed assets

net of related debt 3,104,148

Unrestricted 82,295

Restricted for capital projects 25,200

TOTAL NET ASSETS

\$ 3,211,643

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

PROGRAM EXPENSES:

Recreation and Cultural - Parks:

Personal services	\$ 54,284
Maintenance expense	713,687
Utilities	178,112
Administrative expense	54,332
Depreciation expense	103,709

TOTAL PROGRAM EXPENSES	<u>1,104,124</u>
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PROGRAM REVENUE:

State grants	28,219
Charges for services	998,507
Investment earnings	6,830

TOTAL PROGRAM REVENUE	<u>1,033,556</u>
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NET PROGRAM REVENUE	<u>(70,568)</u>
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GENERAL REVENUE:

Other	349
Transfer in - primary government	10,000

TOTAL GENERAL REVENUE AND TRANSFER	<u>10,349</u>
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CHANGE IN NET ASSETS	<u>(60,219)</u>
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NET ASSETS - BEGINNING OF YEAR	3,271,862
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NET ASSETS - END OF YEAR	<u><u>\$ 3,211,643</u></u>
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The accompanying notes are an integral part of the financial statements.

HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2006

ASSETS

Cash and investments	\$ 569,868
Due from other governmental units	2,246
TOTAL ASSETS	<u>\$ 572,114</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Due to other component units	\$ 464,619
TOTAL LIABILITIES	<u>464,619</u>
FUND BALANCE:	
Unreserved, designated	25,200
Unreserved, undesignated	82,295
TOTAL FUND BALANCE	<u>107,495</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 572,114</u>

HURON COUNTY PARKS
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

Total governmental fund balance	\$ 107,495
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,104,148
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Net assets of governmental activities	<u>\$ 3,211,643</u>
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The accompanying notes are an integral part of the financial statements.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

REVENUES:	
Rental and user fees	\$ 998,507
State grants	28,219
Interest	6,830
Other	349
TOTAL REVENUES	<u>1,033,905</u>
EXPENDITURES:	
Administrative	46,496
Electricity	73,054
Garbage collection	29,583
Heat	3,874
Insurance	7,836
Repairs and maintenance	684,104
Sewer and water	96,466
Telephone	4,718
Wages	54,284
Capital outlay	160,480
TOTAL EXPENDITURES	<u>1,160,895</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(126,990)</u>
OTHER FINANCING SOURCES:	
Operating transfers in	10,000
NET CHANGE IN FUND BALANCE	<u>(116,990)</u>
FUND BALANCE - JANUARY 1	224,485
FUND BALANCE - DECEMBER 31	<u><u>\$ 107,495</u></u>

**HURON COUNTY PARKS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund balance - total governmental funds	\$ (116,990)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:	
Capital outlay incurred in the current year	160,480
Depreciation	(103,709)
Change in net assets of governmental activities	<u><u>\$ (60,219)</u></u>

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Huron County Parks conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Huron County Parks.

The Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by Statement No. 39, the Parks Fund is considered to be a component unit of Huron County for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the financial reporting entity's statements are discussed in the following paragraphs.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The reasons cited for including the Huron County Parks as a component unit of Huron County (the primary government) include the appointment of the Road Commission's three member governing board, the ability to impose its will on the Parks and the potential for a financial benefit or burden on the County.

Related Organizations

The Board of County Road Commissioners are the appointed trustees of the Parks Fund of Huron County. It is also the appointed governing body of the Road Commission, Drains and Airport Funds and these funds are also component units of Huron County, but are not included in these financial statements. The component unit financial statements for the Road Commission, Drains and Airport Funds are issued in separate reports, which are available at the Huron County Road Commission office located at 417 South Hanselman Street, Bad Axe, Michigan.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Budget

The budget, and all amendments thereto, for the Governmental Fund Type is adopted to the fund level consistent with generally accepted accounting principles. The budgeted amounts shown in budget to actual comparisons are the final amended budgets. All annual appropriations lapse at year end. The Parks Fund does not utilize encumbrance accounting.

(Continued)

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Depreciation

Capital outlays are recorded as expenditures of the Special Revenue Fund and as capital assets in the government-wide financial statements. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	25-50 years
Campsite and other improvements	15-50 years
Equipment	15-30 years

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended December 31, 2006, the Parks Fund incurred expenditures in excess of the amounts appropriated as follows:

<u>Amended Budget</u>	<u>Amount of Expenditures</u>	<u>Variance from Budget</u>
\$ 1,124,000	\$ 1,160,895	\$ 36,895

NOTE 3 - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the Parks Fund are at various banks in the name of the Huron County Treasurer. Michigan Compiled Laws Section 129.91 authorize the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loans associations with an office located in Michigan; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; and investment pools organized under the surplus funds investment pool act.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Parks Fund's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40 risk disclosures for the Parks Fund's cash deposits are as follows:

(Continued)

HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Parks' deposits may not be returned to it. The Parks Fund does not have a policy for custodial credit risk. At year end, the Parks Fund had \$569,868 of bank deposits (checking accounts, savings accounts or certificates of deposit).

For the purposes of these component unit financial statements, the extent of FDIC insurance coverage cannot be determined because some of the accounts are maintained by the Huron County Treasurer in pooled accounts, which include other county funds that are outside of the Parks Fund's reporting entity. These accounts are maintained at various banking institutions which are also used for deposits of other funds of the County of Huron.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the current year was as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Capital assets, not being depreciated -				
Land	\$ 654,401	\$ -	\$ -	\$ 654,401
Land improvements	269,500	18,907	-	288,407
Historical lighthouse	97,756	9,914	-	107,670
Total capital assets, not being depreciated	<u>1,021,657</u>	<u>28,821</u>	<u>-</u>	<u>1,050,478</u>
Capital assets, being depreciated -				
Buildings	1,698,116	-	-	1,698,116
Campsite improvements	1,199,938	127,943	-	1,327,881
Other improvements	204,402	-	-	204,402
Equipment	169,940	3,716	-	173,656
	<u>3,272,396</u>	<u>131,659</u>	<u>-</u>	<u>3,404,055</u>
Less - accumulated depreciation for -				
Buildings	611,285	39,419	-	650,704
Campsite improvements	567,295	50,359	-	617,654
Other improvements	6,813	6,813	-	13,626
Equipment	61,283	7,118	-	68,401
	<u>1,246,676</u>	<u>103,709</u>	<u>-</u>	<u>1,350,385</u>
Total capital assets, being depreciated, net	<u>2,025,720</u>	<u>27,950</u>	<u>-</u>	<u>2,053,670</u>
Governmental activity capital assets, net	<u>\$ 3,047,377</u>	<u>\$ 56,771</u>	<u>\$ -</u>	<u>\$ 3,104,148</u>

Capital assets do not include any value for the original structure of the Pointe Aux Barques Lighthouse. This lighthouse is located within Lighthouse County Park and was received as a donation from the United States government and is included on the National Historic Register. Amounts shown above related to this lighthouse are for the planning documents and its related rehabilitation.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 5 - DUE FROM/TO OTHER COMPONENT UNITS

Interfund receivable and payable balances at December 31, 2006 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
Parks Fund:		
Road Commission *	\$ -	\$ 464,619

*The Road Fund is the operating fund of the Huron County Road Commission, which is another component unit of the County of Huron. The financial statements for the Huron County Road Commission are issued under separate cover. All amounts are expected to be repaid in less than one year.

NOTE 6 - RISK MANAGEMENT

The Parks Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Parks Fund has obtained insurance coverage for these risks through the Huron County Road Commission as a member of the Michigan County Road Commission Self Insurance Pool, a public entity risk pool. The MCRCSIP currently operates as a common risk management and insurance program which charges annual premiums to its members for coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event.

SUPPLEMENTAL INFORMATION

**HURON COUNTY PARKS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FROM BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Rental and user fees	\$ 1,012,000	\$ 1,017,000	\$ 998,507	\$ (18,493)
Grants	42,000	25,000	28,219	3,219
Interest	-	-	6,830	6,830
Other	-	-	349	349
TOTAL REVENUES	<u>1,054,000</u>	<u>1,042,000</u>	<u>1,033,905</u>	<u>(8,095)</u>
EXPENDITURES:				
Administrative			46,496	
Electricity			73,054	
Garbage collection			29,583	
Heat			3,874	
Insurance			7,836	
Repairs and maintenance			684,104	
Sewer and water			96,466	
Supplies and materials			-	
Telephone			4,718	
Wages			54,284	
Capital outlay			160,480	
TOTAL EXPENDITURES	<u>1,115,000</u>	<u>1,124,000</u>	<u>1,160,895</u>	<u>(36,895)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(61,000)</u>	<u>(82,000)</u>	<u>(126,990)</u>	<u>(44,990)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	-	10,000	10,000	-
NET CHANGE IN FUND BALANCE	<u>(61,000)</u>	<u>(72,000)</u>	<u>(116,990)</u>	<u>(44,990)</u>
FUND BALANCE - JANUARY 1	224,485	224,485	224,485	-
FUND BALANCE - DECEMBER 31	<u>\$ 163,485</u>	<u>\$ 152,485</u>	<u>\$ 107,495</u>	<u>\$ (44,990)</u>